



Disaster Loss

How to Claim a State Tax Deduction for Your Disaster Loss

Disasters – both natural and man-made – are an unpleasant fact for all of us. We designed this brochure to help you with your financial recovery. Read on for general information on how you can claim your financial loss as a deduction on your California tax return. You can find information specific to your disaster in our publication series, California Disaster Relief Tax Provisions (FTB Pub 1034A series).

What is a disaster loss?

California law is generally the same as federal law for casualties and disasters.

When your property is lost or damaged due to an earthquake, fire, flood, or similar event that is sudden, unexpected, or unusual, it is considered a casualty loss. The damage to your property that is not repaid by insurance or other reimbursements usually qualifies as a casualty loss deduction for tax purposes. Your casualty loss becomes a disaster loss when both of the following occur:

- 1) You sustain the loss in an area the President of the United States or the Governor of California designates as a disaster area. (Note: If the disaster is declared by the Governor of California only, subsequent state legislation is required for the disaster provision to be activated).
- 2) You sustain the loss because of the declared disaster.

Special tax rules apply to disaster losses. You can claim a disaster loss in the tax year the disaster occurred or in the tax year before the disaster occurred. The benefit to claiming your disaster loss in the prior year is that we can issue you a refund very quickly.

For example, you sustain a disaster loss in March 2003. You can claim the loss on your 2003 return when you normally file it by April 15, 2004, or you can claim the loss immediately on your 2002 tax return. If you have already filed your 2002 return, you can complete Form 540X, Amended Individual Income Tax Return. The election to claim the loss on the 2002 return must be made by April 15, 2004, unless California passes subsequent legislation extending the option until October 15, 2004. This election is irrevocable.

You may also qualify to carry over 100 percent of any excess disaster loss if subsequent California legislation identifies your disaster for the special carryover treatment. You cannot use disaster losses in computing a net operating loss deduction under Internal Revenue Code Section 172.

How do I calculate a disaster loss?

You begin by computing your tax loss on your federal tax return and then transfer that loss amount to your California return. In some cases, you may need to make adjustments between state and federal tax laws on your California return.

Individuals

As an individual, you can calculate your disaster loss by reporting California amounts on IRS Form 4684, *Casualties and Thefts*, Section A – Personal Use Property, and submitting this form with your California tax return. You will also need to attach a statement giving the date and

location of the disaster (city and county).

Your personal loss is the smaller of the decrease in the fair market value of your property due to the casualty or the adjusted basis of the property. (Fair market value means the amount at which property would change hands between a willing buyer and seller. Adjusted basis generally means what you paid for the property plus the cost of any improvements, less deductions such as depreciation.) In determining your loss you also then deduct insurance proceeds or other reimbursement you received or expect to receive. Next, you subtract \$100 and then 10 percent of your federal adjusted gross income. The remaining amount is the casualty or disaster loss that you can claim.

Businesses

As a business, you can calculate your disaster loss by reporting California amounts on IRS Form 4684, *Casualties and Thefts*, Section B – Business and Income Producing Property.

You determine your business loss by using the smaller of the decrease in the fair market value of your property due to the casualty or the adjusted basis of the property. From this amount you deduct insurance or other reimbursement you received or expect to receive to determine the allowable loss.

What documentation must I attach to my California return?

California forms you may need to include to report your losses are: Schedule D-1, *Sales of Business Property*; form FTB 3805V, *Net Operating Loss (NOL) and NOL and Disaster Loss Limitations – Individuals, Estates and Trusts*; or form FTB 3805Q, *Net Operating Loss Computation and NOL and Disaster Loss Limitations – Corporations*.

Your disaster loss documentation must also include these Internal Revenue Service (IRS) forms:

- A completed IRS Form 4684, *Casualties and Thefts (use California amounts)*.
- A copy of your IRS Form 1040, *U.S. Individual Income Tax Return*, or 1040X, *Amended U.S. Individual Income Tax Return* (for individuals).
- A copy of your IRS Form 1120, *U.S. Corporation Income Tax Return*, or 1120X, *Amended U.S. Corporation Income Tax Return* (for corporations).
- Any supporting IRS schedules that verify your deduction.

You must attach to your loss documentation a clearly written statement that indicates:

- The date of the disaster.
- The location of the disaster (city, county, and state).

- Your decision to deduct the loss in the tax year before the year the disaster occurred, if that is what you choose to do.

For filing deadline dates specific to your disaster, please refer to *California Disaster Relief Tax Provisions* (FTB Pub 1034A series).

It is a good idea to take and keep photos of the damaged property to document the loss.

How can I replace California tax returns lost or damaged in a disaster?

If your returns are lost or damaged due to a disaster we will replace your California tax returns at no cost. Complete Form FTB 3516, *Request for Copy of Tax Return*. Be sure to print the name of the disaster at the top of the form and we will send you copies of your most recently filed tax return. Please send your request to the appropriate address listed below.

For Personal Income Tax Returns:

RID UNIT PIT
Franchise Tax Board
PO BOX 1468
Sacramento CA 95812-1468

For Business Income Tax Returns:

RID UNIT CORP
Franchise Tax Board
PO BOX 1468
Sacramento CA 95812-1468

You can also request a copy of your lost or damaged return by writing us a letter that includes all of the following:

- Your name
- Your address
- Your social security number (for personal income tax returns)
- Your corporation number, California Secretary of State number, or federal employer identification number (for corporate tax returns)
- The tax year requested
- Your signature

How quickly can I get a refund?

We are committed to issuing refunds for disaster victims quickly.

If you e-file (electronically file) your disaster loss tax return, we will have your refund to you within seven days if you choose to have your refund deposited directly into your bank account. Please follow your tax software's instructions to enter the disaster information.

You can also file paper returns. To help us process your refund quicker, use red ink to print the name of the disaster at the top of Side 1 of your California tax return (For example: DISASTER – 2000 NAPA EARTHQUAKE). We give these returns top priority and will process them as quickly as possible.

Where can I get the forms I need to claim my loss?

You can access and print California tax forms and publications at our Website: www.ftb.ca.gov

You can also order our forms by calling **(800) 338-0505**. To order personal income tax forms, please select the personal income tax forms option and any of the following form codes when prompted:

- **900** – California Resident Income Tax Booklet (includes Form 540)
- **914** – California Nonresident Income Tax Booklet (includes Form 540NR)
- **908** – Form 540X, Amended Individual Income Tax Return
- **909** – Schedule D-1, Sale of Business Property
- **926** – Form FTB 3805V, Net Operating Loss (NOL) Individuals
- **937** – Form FTB 3516, Request For Copy of Personal Income Tax or Fiduciary Return

To order corporate forms, please select business entities tax forms, and any of the following form codes when prompted:

- **816** – California S Corporation Tax Forms and Instructions (includes Form 100S)
- **817** – California Corporation Tax Forms and Instructions (includes Form 100)
- **817** – Form FTB 3805Q, Net Operating Loss (NOL) Computation
- * – Form FTB 100X, Amended Corporation Income Tax Return *available at our Website only

Where do I send my disaster loss documentation?

If you are an individual taxpayer, you can mail your documentation to:

**FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0001**

If you are a business taxpayer, you can mail your documentation to:

**FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0501**

How can I get more information from Franchise Tax Board about claiming a California disaster loss?

Telephone assistance is available year-round from 7 a.m. until 7 p.m. Monday through Friday. We may modify these hours without notice to meet operational needs.

From within the United States,
call (800) 852-5711

From outside the United States,
call (not toll-free) (916) 845-6500

Website: **www.ftb.ca.gov**

Asistencia bilingüe en español: Para obtener servicios en español y asistencia para completar su declaración de impuestos/formularios, llame al número de teléfono (anotado arriba) que le corresponde.

Assistance for persons with disabilities: We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.

Asistencia para personas discapacitadas. Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos pueden llamar al TTY/TDD (800) 822-6268.

How can I get forms and information from the IRS?

Common casualty or disaster forms and publications:

Form 4684, Casualties and Thefts

Publication 547, Casualties, Disasters, and Thefts

Publication 584, Casualty, Disaster, and Theft Loss

Workbook (Personal-Use Property)

Publication 584B, Business Casualty, Disaster, and Theft Loss Workbook

To get forms and other tax information from the IRS you can access their Website at: **www.irs.gov** or via FTP at: **[ftp.irs.gov](ftp://ftp.irs.gov)**. You can also call the IRS at (800) 829-4059 or fax them at (703) 368-9694.

If you need more information about disaster areas in your state, you can contact emergency information resources within your state or call the IRS at (800) 829-1040.

Where is the Federal Emergency Management Agency office closest to me?

You can get a list of Disaster Recovery Centers in your area by calling the Federal Emergency Management Agency at (800) 462-9029. You can access their Website at: **www.fema.gov**